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Message Text

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ORIGIN ARA-10

INFO OCT-01 ISO-00 SS-15 SP-02 MMO-01 PM-04 L-03 EB-07

CU-02 INR-07 CIAE-00 DODE-00 ACDA-05 AGR-05 AID-05

COME-00 NSC-05 OMB-01 OPIC-03 PC-01 PER-01 TRSE-00

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DRAFTED BY ARA/APU:RCFELDER:JC
APPROVED BY ARA/APU:CEBARTCH
ARA/PLC:AWOODRUFF
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FM SECSTATE WASHDC
TO AMEMBASSY BUENOS AIRES PRIORITY

S E C R E T STATE 279908

E.O. 11652:GDS

TAGS: PFOR, XM, AR

SUBJECT: PRE-IG REVIEW OF ARGENTINA CASP

REF: A-223 OF OCTOBER 28

1. THE PRE-IG MET NOVEMBER 20 TO REVIEW THE REVISED ARGENTINA CASP. THE GROUP'S VIEW WAS THAT THIS CASP REPRESENTS A CONSIDERABLE IMPROVEMENT OVER THE APRIL SUBMISSION (A-85). WHILE UNCERTAINTIES ABOUND IN ARGENTINA, THE COUNTRY TEAM (CT) HAS DONE A FIRST-RATE JOB IN SELECTING AND ANALYZING U.S. INTERESTS AND THE MAJOR ISSUES MOST LIKELY TO PREVAIL IN THE CASP CYCLE.

2. THE PRE-IG NOTED THAT ISSUE NO. 1 HAD BEEN REFORMULATED ACCORDING TO PRE-IG'S EARLIER SUGGESTION (STATE 145345). THE PRESENT CASP DELINEATES A STRATEGY WHICH COVERS MOST LIKELY ARGENTINE POLITICAL VARIATIONS,

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BUT WITH A CLEARER FOCUS ON DEFINABLE U.S. INTERESTS THAN

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IN THE PREVIOUS SUBMISSION. NO QUESTION WAS RAISED AT THE
PRE-IG MEETING WITH RESPECT TO THE RECOMMENDED RESOLUTION
OF THIS ISSUE.

3. THE PRE-IG ACCEPTED, WITH CERTAIN CHANGES, LANGUAGE
PROPOSED BY TREASURY TO REPLACE THE RECOMMENDED RESOLUTION

OF ISSUE 2 (P. 8). THE NEW LANGUAGE PLACES GREATER
EMPHASIS ON USG LEGISLATIVE RESPONSIBILITY TO RESOLVE
INVESTMENT DISPUTES, BUT ESSENTIALLY ENDORSES, AS DID
THE CASP SUBMISSION, THE PRESENT APPROACH TO RESOLVING
INVESTMENT PROBLEMS. PRE-IG ALSO AGREED TO DELETE
REASONS FOR RECOMMENDATIONS 2 AND 3 ON PAGE 9; THE FORMER
BECAUSE IT IS NO LONGER RELEVANT IN THE CONTEXT OF THE
REWORDED RECOMMENDATION, AND THE LATTER BECAUSE OTHER
PRE-IG MEMBERS SUPPORTED TREASURY'S VIEW THAT THE USG
SHOULD NOT ENCOURAGE U.S. FIRMS TO TAKE RISKS UNLESS IT
IS PREPARED TO COMPENSATE THEM IF THEIR OPERATIONS ARE
NATIONALIZED.

4. THE PRE-IG DECIDED TO SUBSTITUTE FOLLOWING LANGUAGE
FOR THE BALANCE OF THE RECOMMENDED RESOLUTION OF ISSUE 3
BEGINNING WITH DIRECT USG...ON PAGE 11, PARA 2, LINE 5.
QUOTE, U.S. FINANCIAL SUPPORT FOR BALANCE OF PAYMENTS
PROBLEMS IS NOT AVAILABLE. THE INTERNATIONAL
MONETARY FUND HAS THE MONETARY AND PERSONNEL RESOURCES
AVAILABLE FOR ASSISTING COUNTRIES THAT ARE GOING THROUGH
BALANCE OF PAYMENTS DIFFICULTIES. IN ADDITION TO HAVING
THE FINANCIAL RESOURCES TO HELP FINANCE THE GAP IT ALSO
HAS THE EXPERTISE AVAILABLE TO HELP DEVELOP A SOUND
ECONOMIC STABILIZATION AND RECOVERY PROGRAM. UTILIZATION
OF THESE IMF RESOURCES WOULD BE A CLEAR SIGNAL TO THE
PRIVATE CAPITAL MARKETS THAT THE GOA IS PREPARED TO DEAL
WITH ITS PROBLEMS. PRIVATE CAPITAL FLOWS CAN THEN BE
EXPECTED TO RESUME FLOWING. THEREFORE, THE GOA SHOULD
BE ENCOURAGED TO EXHAUST THE FACILITIES AVAILABLE TO
IT IN THE FUND. WE SHOULD CONTINUE TO SUPPORT THE GOA,
TO THE EXTENT THAT IT IS REASONABLE, IN ITS DEALINGS
WITH THE FUND. WE SHOULD SUPPORT REALISTIC ARGENTINE
LOAN REQUESTS FROM THE IFIS.
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QUOTE, THE USG SHOULD PERIODICALLY REVIEW ITS OWN
FINANCIAL PROGRAMS, RATINGS, AND REGULATIONS (EXIM,
COMPTROLLER OF CURRENCY, AND OPIC) AS THEY RELATE TO
ARGENTINA TO BE SURE THAT THEY ARE CURRENT, FAIR AND

GENERALLY CONSISTENT. UNQUOTE. IT WAS THE GROUP'S
VIEW THAT THIS REFORMULATION IS MORE REALISTIC IN TERMS

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OF THE POLICY LIMITATIONS WITHIN WHICH A U.S. RESPONSE TO AN ADDITIONAL ARGENTINE REQUEST FOR FINANCIAL ASSISTANCE WILL BE CONSIDERED.

5. TREASURY ARGUED THAT THE FMS CREDIT LEVEL PLANNED FOR FY 77 SHOULD BE SIGNIFICANTLY REDUCED. IT POINTED TO ARGENTINA'S EXISTING DEBT SERVICE PROBLEM, WHICH COULD CONTINUE FOR SEVERAL YEARS. STATE, DOD, AND OTHER

PARTICIPANTS STRONGLY SUPPORTED THE PROPOSED LEVEL. THE PRE-IG AGREED UNANIMOUSLY TO ADD THE FOLLOWING SENTENCE TO THE LAST PARAGRAPH ON P. 17: QUOTE: THE LEVEL OF FMS CREDIT TO BE GIVEN ARGENTINA IN FY 77, HOWEVER, SHOULD BE REVIEWED AT THE APPROPRIATE TIME TAKING INTO ACCOUNT ARGENTINA'S EXTERNAL DEBT SERVICE BURDEN AND OTHER PERTINENT FACTORS. UNQUOTE.

6. ARA-LA'S REGIONAL LABOR OFFICE MADE POINT THAT DESPITE CRITICAL POLITICAL ROLE ORGANIZED LABOR PLAYS IN ARGENTINA, CASP DOES NOT ELABORATE A MEANINGFUL STRATEGY FOR DEALING WITH THE LABOR SECTOR. THE PRE-IG DECIDED TO ASK THE CT TO BEAR THIS IN MIND OVER NEXT FEW MONTHS, SO THAT NEXT CASP SUBMISSION MIGHT CONTAIN ANY APPROPRIATE RECOMMENDATIONS. (A MEMORANDUM ON THIS SUBJECT HAS BEEN POUCHED TO LABATT.) OBJECTIVE 5, P. 15, WAS REVISED TO READ QUOTE, TO SEEK TO ENCOURAGE CLOSER ARGENTINE RELATIONS WITH U.S. AND DEMOCRATIC INTER-AMERICAN AND INTERNATIONAL LABOR ORGANIZATIONS. UNQUOTE.

7. PRE-IG OBSERVED THAT CASP CONTAINS TWO SEPARATE QUOTE INTEREST UNQUOTE SECTIONS ON PROMOTION OF ECONOMIC AND SOCIAL DEVELOPMENT (UNDER U.S. ECONOMIC PROSPERITY AND UNDER OTHER INTERESTS). LIKEWISE, THE CASP DIS-

CUSSES NUCLEAR NON-PROLIFERATION UNDER WORLD ORDER AND U.S. NATIONAL DEFENSE INTEREST. IN BOTH CASES, FOR SAKE OF COHESION, CASP TREATMENT OF THESE INTERES WILL BE CONSOLIDATED HERE FOR INCLUSION IN FINAL DOCUMENT.

8. IN ABSENCE OF FURTHER DISAGREEMENT OVER RESOLUTION OF MAJOR ISSUES, PRE-IG RECOMMENDED THAT NO REPEAT NO FORMAL IG REVIEW BE CONDUCTED FOR THIS CASP. PER USUAL PROCEDURE, A DRAFT DECISION MEMORANDUM AND CONSOLIDATED CHANGE SHEET WILL BE CIRCULATED TO IG MEMBERS FOR APPROVAL. APPROVAL THESE DOCUMENTS (BEING POUCHED TO EMBASSY) WILL CONSTITUTE IG APPROVAL OF ARGENTINA CASP. KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CASP, FOREIGN ASSISTANCE PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 26 NOV 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE279908
Document Source: CORE
Document Unique ID: 00
Drafter: RCFELDER:JC
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750412-0256
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751110/aaaaaitb.tel
Line Count: 167
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN ARA
Original Classification: SECRET
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 03 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 SEP 2003 by ellisoob>; APPROVED <18 DEC 2003 by greeneet>
Review Markings:

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Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PRE-IG REVIEW OF ARGENTINA CASP
TAGS: PFOR, XM, AR
To: BUENOS AIRES
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006